

# ANNUAL FINANCIAL STATEMENTS

for

## NYANDENI LOCAL MUNICIPALITY

for the period ended 30 June: 2012

Province:

Eastern Cape

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**NYANDENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the period ended 30 June 2012

**General information**

**Members of the Executive Council**

Councillor T Sokanyile	Mayor
Councillor M.S. Qaqa	Speaker
Councillor P. Matinise	Chair of the Public Safety, Transport
Councillor N. Matanda	Chair of the Special Programmes Unit & Sports, Arts and Culture
Councillor K Tatani	Councillor in the Mayor's Office
Councillor W Ngaveli	Acting Chair of the Technical & Infrastructure Development Committee
Councillor B.V Ndamase	Chair of the Local Economic & Rural Development Committee
Councillor P. Godongwana	Chair of the Disaster Management Committee
Councillor W Ngaveli	Chair of the Budget & Treasury Office
Councillor F Mgwedane	Chair of the Community Services
Councillor Z. Nondlevu	Chair of the Corporate Services Committee

**Municipal Manager**

N Nomandela (Acting)

**Chief Financial Officer**

BK Benxa

**Grading of Local Authority**

Grade 1

**Auditors**

Auditor-General South Africa (AGSA)

**Bankers**

First National Bank / Standard Bank

**NYANDENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the period ended 30 June 2012

**General information (continued)**

**Registered Office:**

B Nomandela Drive  
Libode  
5160

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B Nomandela Drive  
Libode  
5160

**Postal address:**

Private Bag X504  
Libide  
5160

**Telephone number:**

047 - 555 5000

**Fax number:**

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**E-mail address:**

[admin@nyandenilm.gov.za](mailto:admin@nyandenilm.gov.za)

**NYANDENI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 June 2012**

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## **NYANDENI LOCAL MUNICIPALITY**



### **ANNUAL FINANCIAL STATEMENTS**

**for the period ended**

**30 June 2012**

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 50, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**N Nomandela**  
**Acting Municipal Manager**  
**31 August 2012**

**NYANDENI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30 June 2012**

	Notes	2012 R '1
<b>REVENUE</b>		
Property rates	20	3 833 751
Service charges - refuse	21	158 526
Rental of facilities		111 414
Interest received - investments		2 551 653
Traffic fines		607 375
Recoveries		-
Fair value gain on short term investments		191 396
Government grants	24	160 240 978
Other income	25	2 601 187
<b>Total Revenue</b>		<b>170 296 280</b>
<b>EXPENDITURE</b>		
Employee related costs	26	55 265 795
Remuneration of Councillors	27	12 333 148
Depreciation and amortisation		27 611 268
Impairment loss		-
Finance costs	28	27 712
Loss on disposal of assets		-
Rates rebate		20 022
Repairs and maintenance		692 850
Bulk purchases	29	6 428 855
Fair value loss on short term investment		124 484
General expenses	30	44 098 968
<b>Total expenditure</b>		<b>146 603 101</b>
Fair value adjustments		1 207 500.00
<b>SURPLUS FOR THE YEAR</b>		<b>24 900 679</b>

**2011**  
**R '1**

3 357 862

71 085

118 808

2 279 586

330 550

973 581

189 196

118 434 783

3 675 412

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**129 430 863**

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50 337 753

11 261 111

30 190 149

-

91 163

56 749

-

3 092 911

-

252 694

35 576 995

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**130 859 525**

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-

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**-1 428 662**

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**NYANDENI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2012**

	Notes	2012 R '1	2011 R '1
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>355 466 289</b>	<b>334 742 236</b>
Reserves			
Capital replacement reserve	18	-	4 176 626
Accumulated surplus		355 466 289	330 565 610
<b>Non-current liabilities</b>		<b>452 001</b>	<b>537 292</b>
Finance lease liability	11	452 001	537 292
<b>Current liabilities</b>		<b>15 982 048</b>	<b>16 198 627</b>
Current portion of finance lease liability	11	277 050	199 225
Trade and other payables	12	6 979 421	5 082 141
Deposits	13	-	295 644
Unspent conditional grants and receipts	14	2 783 032	5 888 918
Provisions	15	3 418 910	2 297 274
Income received in advance	16	91 259	214 715
Retentions	17	2 432 376	2 220 710
<b>Total Net Assets and Liabilities</b>		<b>371 900 337</b>	<b>351 478 155</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>301 496 054</b>	<b>295 971 817</b>
Property, plant and equipment	9	239 961 465	235 779 933
Intangible assets	10	940 589	805 384
Investment property	8	60 594 000	59 386 500
<b>Current assets</b>		<b>70 404 283</b>	<b>55 506 338</b>
Investments	3	51 055 503	51 382 175
VAT receivable	5	9 884 660	924 579
Consumer debtors	6	65 630	253 533
Cash and cash equivalents	7	9 398 491	2 946 051
<b>Total Assets</b>		<b>371 900 337</b>	<b>351 478 155</b>



**NYANDENI LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the year ended 30 June 2012

	Notes	Capital replacement reserve	(Accumulated Deficit) / Accumulated Surplus	Total
<b><u>2011</u></b>		R '1	R '1	R '1
Balance at 01 July 2010		3 997 501	337 770 875	341 768 376
Correction of prior period error	31	179 125	(14 002 800)	(13 823 675)
Change in accounting policy	2		8 226 197	8 226 197
<b>Balance at 01 July 2010 as restated</b>		<b>4 176 626</b>	<b>331 994 272</b>	<b>336 170 898</b>
Surplus for the year after restated figures		-	(1 428 662)	(1 428 662)
<b>Total changes</b>		<b>4 176 626</b>	<b>330 565 610</b>	<b>332 227 797</b>
<b><u>2012</u></b>				
Balance at 01 July 2011		4 176 626	330 565 610	334 742 236
Change in accounting policy				-
Balance at 01 July 2011		4 176 626	330 565 610	334 742 236
Write off of capital replacement reserve		(4 176 626)		(4 176 626)
Surplus for the year			24 900 679	24 900 679
Prior year adjustments				
<b>Balance at 30 June 2012</b>		<b>-</b>	<b>355 466 289</b>	<b>355 466 289</b>

**NYANDENI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT**  
For the year ended 30 June 2012

	Notes	2012 R '1	2011 R '1
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Taxation		-	
Cash received from ratepayers, government and other		154 403 347	118 332 659
Cash paid to suppliers and employees		(119 258 525)	(118 680 062)
<b>Cash generated/ (utilized) by operations</b>		35 144 822	(347 403)
Interest income		2 551 653	2 279 462
Interest paid		(27 712)	(91 163)
		<u>37 668 763</u>	<u>1 840 896</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>33</b>	<u><b>37 668 763</b></u>	<u><b>1 840 896</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(30 285 581)	(31 378 663)
Proceeds from sale of property, plant and equipment		-	(170 991)
Purchase of other intangible assets	<b>10</b>	(135 205)	-
Increase in investment properties		(1 207 500)	
(Increase)/Decrease in call investment deposits		326 672	
Proceeds from sale of financial assets		-	(11 778 825)
		<u>(31 301 614)</u>	<u>(43 328 479)</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u><b>(31 301 614)</b></u>	<u><b>(43 328 479)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease payments		85 291	331 673
		<u>85 291</u>	<u>331 673</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u><b>85 291</b></u>	<u><b>331 673</b></u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u><b>6 452 440</b></u>	<u><b>(41 155 910)</b></u>
Cash and cash equivalents at the beginning of the year		<u>2 946 051</u>	<u>44 101 961</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<u><b>9 398 491</b></u>	<u><b>2 946 051</b></u>

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 30 June 2012**

**1. BASIS OF ACCOUNTING**

**1.1 Basis of presentation**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Accounting for Investments in Associates
GRAP 8	Financial Reporting of Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 24	Presentation of budget information vs actuals
GRAP 26	Impairment of cash generating assets
GRAP 100	Non-current assets held for sale and discontinued operations
GRAP 101	Agriculture
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 39	Financial Instruments

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on Generally Recognised Accounting Practice (GRAP) including any interpretations of such statements issued by the Accounting Practices Board.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

The following are the statements that are approved but not yet effective

GRAP 20	Related party disclosures
GRAP 18	Segment reporting
GRAP 25	Employee benefits
GRAP 104	Financial instruments
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control
GRAP 107	Mergers

Where there is no equivalent standard of GRAP or IPSAS an International Financial Reporting Standard (IFRS) that is effective forms part of the GRAP reporting framework. This applies to the accounting standards detailed below:

IAS 12 (AC102)	Income Taxes
IAS 14 (AC 115)	Segment reporting
IAS19 (AC 116)	Employee benefits
IAS20 (AC 134)	Accounting for government grants and disclosure of government assistance
IAS24 (AC 126)	Related party disclosures
IAS26 (AC 136)	Accounting and rereporting by retirement benefit plans
IAS29 (AC 124)	Financial reporting in hyperinflationary economies
IAS 30 (AC 120)	Disclosures in the financial statements of banks and similar financial institutions
IAS 32 (AC 125)	Financial instruments: Disclosure and presentation
IAS 33 (AC 104)	Earnings per share
IAS 34 (AC 127)	Interim Financial Reporting
IAS 36 (AC 128)	Impairment of assets
IAS 39 (AC 133)	Financial instruments: Recognition and measurement
IFRS 02 (AC 139)	Share-based payment
IFRS 03 (AC 140)	Business combinations
IFRS 04 (AC 141)	Insurance contracts
IFRS 06 (AC 143)	Exploration for and evaluation of mineral resources
IFRS 07 (AC 144)	Financial Instruments: Disclosures

Exemptions from these standards as they relate to the interim arrangements on the implementation of GRAP are detailed under each relevant accounting policy note below as they apply to the municipality.

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS(CONTINUED)**  
**For the year ended 30 June 2012**

**1.2 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 Going concern assumption**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 Comparative information**

Budget information in accordance with GRAP 1 and GRAP 24 has been provided in note 35 to these financial statements and forms part of the annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable and the prior year comparatives are restated accordingly.

**1.5 Accounting policies, changes in accounting estimates and errors**

The municipality is fully complying with all the relevant GRAP standards.

**1.6 Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

**2. RESERVES**

**2.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

**NYANDENI LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 June 2012**

**2.2 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Government Grant to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

**2.3 Revaluation Reserve**

The surplus/deficit arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated deficit while gains or losses on disposal based on revalued amounts, are credited or charged to the Statement of Financial Performance.

**3. PROPERTY, PLANT AND EQUIPMENT**

**3.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. The Municipality is complying with Directive 5

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no cost or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the provisional amount.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them for more than one year. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

**3. PROPERTY, PLANT AND EQUIPMENT (Cont.)**

**3.2 Subsequent measurement - revaluation model (Land and Buildings)**

The municipality has applied Directive 5 with regards to GRAP17 - Property, plant and equipment and therefore has done subsequent measurement.

**3.3 Depreciation and impairment**

As the municipality has applied Directive 5 with regards to GRAP17 - Property, plant and equipment as relates to measurement, depreciation has been accounted for in the annual financial statements.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the asset register estimated average asset lives.

**3.4 Derecognition**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset and/or when it is transferred to other organ of state(funder). The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**4. INVESTMENT PROPERTY**

**4.1 Initial recognition**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where an investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the provisional amount.

**4.2 Subsequent measurement - revaluation model (Investment property)**

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

**4.3 Depreciation and impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the asset register's estimated average asset lives.

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

**4. INVESTMENT PROPERTY (Cont.)**

**4.4 Derecognition**

Items of Investment Property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**5. TRADE AND OTHER RECEIVABLES**

Trade and other receivable are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**6. TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayment, plus interest.

**7. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets, loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on the bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.



**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

**8. INVENTORIES**

**8.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**8.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

**9. FINANCIAL INSTRUMENTS**

The Municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

**9.1 Financial Assets - Classification**

A financial asset is any asset that is cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereof:

- a) Investment in Fixed Deposits (Banking Institutions, etc)
- b) Long term receivables
- c) Consumer debtors
- d) Other debtors
- e) Bank, cash and cash equivalents

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

**9. FINANCIAL INSTRUMENTS (continued)**

**9.1 Financial assets (continued)**

Type of financial assets	Classification in terms of IAS 36.0
Short term investment deposits - call	Available for sale
Bank, cash and cash equivalents	Available for sale
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivable
Bank, cash and cash equivalents	Held at maturity

Financial assets at fair value through profit and loss are financial assets that meet either of the following conditions:

- They are classified as held for trading; or
- Upon initial recognition they are designated as a fair value through the Statement of Financial Performance.

Available for sale investment are financial assets that are designated as available for sale or are not classified as:

Loans and receivables  
Held to maturity investments; or  
Financial asset at fair value through the Statement of Financial Performance.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment maturity.

Loans and receivables are non derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are provision for impairment.

**9.2 Financial liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereof:

- a) Long term liabilities
- b) Creditors
- c) Bank overdraft
- d) Short term loans
- e) Current portion of long term liabilities

There are two main categories of financial liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss (other financial liabilities)

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

**9. FINANCIAL INSTRUMENTS (continued)**

**9.2 Financial liabilities (continued)**

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. Purchase with the intention to sell or repurchase in the short term, derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short term profiteering or are resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the Municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

**9.3 Initial and Subsequent Measurement**

**9.3.1 Financial Assets:**

Held to maturity investments and loans and receivables are initially measured at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective interest method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Fair Value and Available for sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

**9.3.2 Financial liabilities**

Financial liabilities at fair value and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rates method.

**9.4 Impairment of Financial Assets**

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39

Initially accounts impairment of trade receivables are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year end. Bad debts are written off the year in which they are identify as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

**9. FINANCIAL INSTRUMENTS (continued)**

**9.4 Impairment of financial assets (continued)**

With the exception of Available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available for sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial Performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Consumer debtor are stated at cost less a provision for impairment. The provision is made in accordance with IAS 36.64 whereby the recoverability of consumer debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided for such accounts are regarded as receivable.

Loans and receivable are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 month, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

**9.5 Derecognition of Financial Assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the assets expires or it transfer the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity, except when the Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retain substantially all the risks and rewards of the ownership and continues to control the transfer asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**9.6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, the municipality's obligations are discharged, cancelled or they expire.

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

**10 RISK MANAGEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

It is the policy of the Municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instrument to which the Municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

**10.1 Credit Risk**

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

**10.2 Liquidity Risk**

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the financial statement

**11. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (this for example applies in the case of obligations for the rehabilitation of the landfill site).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is removed. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating deficits. The present obligation under an onerous contract is recognised and measured as a provision.

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

**12. LEASES**

**12.1 Municipality as lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the payments which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to depreciation of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating leases are accrued and accounted for on a straight-line basis over the term of the relevant lease, this on the basis of the cash flows in the lease agreement. The principle of smoothing the current and future lease payments has not been applied. Notwithstanding the exemptions on the recognition of operating lease agreement, the municipality has early adopted IAS 17 (AC 105).

**12.2 Municipality as lessor**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**13. CONDITIONAL GRANTS AND RECEIPTS**

Revenue from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligation embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met.

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

**14. REVENUE**

**14.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passes to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The municipality has opted to take advantage of the exemption on accounting for revenue in terms of GRAP 09. That means revenue has initially been measured at cost and not at fair value wherein all future receipts are discounted at the imputed rate of return.

**14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summons. Revenue from spot fines and summons is recognised when payments is received, together with an estimate of spot fines and summons that will be received based on past experience of amounts collected.

**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

**14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (Continued)**

Revenue from public contributions and donations is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (56 of 2003) and is recognised when the recovery thereof from the responsible councils or officials is virtually certain.

**15. GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**16. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance.

**17. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (32 of 2000), the Public Office Bearers Act (20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as an expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**18. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



**NYANDENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

**19. BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

**20. RETIREMENT BENEFITS**

The municipality operates a defined contribution plan in the form of a provident fund scheme covering employees. The assets of the scheme are held separately from those of the municipality and are administered by the scheme's trustees. Contributions to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to contributions.

**21. IMPAIRMENT OF ASSETS**

The municipality has taken advantage of the transitional arrangements with respect to IAS 36 (AC 128) impairment of assets, meaning that the municipality is exempted from complying with this standard.

**22. SEGMENT REPORTING**

The municipality has taken advantage of the transitional arrangements with respect to IAS 14 (AC 115) segment reporting, accordingly the municipality is exempted from complying with this standard.

**23. EVENTS AFTER THE REPORTING DATE**

The municipality considers events that occur after the reporting date for inclusion in the annual financial statements. Events that occur after the reporting date (30 June 2012) and the date on which the audit of the financial statements is completed (30 November 2012) are considered for inclusion in the annual financial statements.



**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

	<b>2012</b>	<b>2011</b>
	<b>R '1</b>	<b>R '1</b>
<b>2 Changes in accounting policy</b>		
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for adoption of new or revised standards.		
The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2011 is as follows:		
<b>Statement of financial position</b>		
<b>Property, plant and equipment</b>		
Previously stated	-	255 888 293
Adjustment	-	(62 511 369)
	<u>-</u>	<u>193 376 924</u>

**Cash flow statement**

Management do not sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing costs. For this reason the change in accounting policy is applied prospectively.

(If retrospective application is impracticable for the particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.)

The municipality has not applied the new (name the standard or interpretation) issued, and effective for periods commencing (Describe the new required treatment and the current treatment.) The estimated impact of the implementation of the new standard on the 2012 annual financial statements is as follows:

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2012**

	<b>2012</b> <b>R '1</b>	<b>2011</b> <b>R '1</b>
<b>3 Investments</b>		
<b>Short Term Investments</b>		
Development 388655305-403 STD	280 638	272 331
Nyandeni 388680237-001 STD	82 438	79 599
Tiered Rates 388680172-002	3 136	3 089
Nyandeni 74187331349 FNB	15 307 222	14 623 775
32 Day 388655305-004 STD	867 798	827 098
Revolving Fund 388655305-002 STD	226 500	219 796
Stanlib 3 54781067	26 294	25 001
Stanlib 2 IPOO5728	1 198 014	1 116 133
Stanlib 1 IPOO5439	2 659 960	2 474 428
32 Day Interest 72399019737	14 708	14 337
Eradication of Bucket System 548736855-001	691 887	669 732
Investments (Recovery VAT) 74182161238	27 540 561	26 617 300
MIG account 62159914704	1 855 480	4 145 285
MSIG account 62159915853	8 724	8 637
FMG account 62159921751	132 556	129 536
Property Valuation Account 62159922551	148 387	145 007
LGSETA account 62159915340	11 200	11 088
	<b>51 055 503</b>	<b>51 382 172</b>
<b>Current assets</b>		
Total other financial assets	51 055 503	51 382 172
Management's valuation of unlisted investments R 51 055 503 (2011: R 51 382 051)		
Average rate of return on investments 2012 : 5% (2011 : 5.5%)		
Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with approved banking institutions.		
No investments were pledged as security.		
<b>4 Other receivables from non-exchange transactions</b>		
Housing	140 569	140 569
Impairment for doubtful debts - housing debtors	(140 569)	(140 569)
Vehicle loans	148 444	148 444
Current increase/(Decrease)	(148 444)	(148 444)
	<b>0</b>	<b>-</b>

The housing loan is fully recoverable from the Department of Human Settlements ( Eastern Cape).  
The project is being delayed due to unforeseen circumstances therefore there were no repayments

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	2012 R '1	2011 R '1
<b>5 VAT receivable</b>		
VAT	9 884 660	924 579
These are monies due from SARS for VAT claimed.		
<b>6 Consumer debtors</b>		
<b>Gross balances</b>		
Rates	10 237 815	8 755 828
Refuse	304 307	216 357
	<b>2 480 232</b>	<b>8 972 185</b>
<b>Less: Provision for debt impairment</b>		
Rates	(10 357 089)	(8 497 024)
Refuse	(119 403)	(221 628)
	<b>(10 476 492)</b>	<b>(8 718 652)</b>
<b>Net balance</b>		
Rates	(119 274)	258 804
Refuse	184 904	(5 271)
	<b>65 630</b>	<b>253 533</b>
<b>Rates</b>		
Current (0-30 days)	(240 949)	97 160
31-60 days		133 903
61-90 days	79 781	129 824
91-120 days	307 294	129 858
+120 days	10 091 689	9 475 831
Impairment	(10 357 089)	(9 707 232)
	<b>(119 274)</b>	<b>259 344</b>
<b>Refuse</b>		
Current (0-30 days)	7 088	7 825
31-60 days		5 423
61-90 days	8 924	5 344
91-120 days	35 470	5 281
+120 days	252 825	192 484
Impairment	(119 403)	(215 632)
	<b>184 904</b>	<b>725</b>

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	<b>2012</b>	<b>2011</b>
	<b>R '1</b>	<b>R '1</b>
<b>6 Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Households / Church</b>		
Current (0-30 days)	(42 679)	47 314
31-60 days	57 388	56 241
61-90 days	224 347	55 642
91-120 days	-	55 718
+120 days	5 204 155	4 857 953
	<u>5 443 210</u>	<u>5 072 868</u>
Less: Provision for debt impairment	<u>(5 409 324)</u>	<u>(4 893 659)</u>
	<b>33 887</b>	<b>179 209</b>
<b>Business</b>		
Current (0-30 days)	(7 006)	(1 625)
31-60 days	25 343	24 443
61-90 days	94 523	20 422
91-120 days	-	20 856
+120 days	1 405 918	1 214 105
	<u>1 518 778</u>	<u>1 278 201</u>
Less: Provision for debt impairment	<u>(1 509 323)</u>	<u>(1 094 245)</u>
	<b>9 455</b>	<b>183 956</b>
<b>Government / Municipal</b>		
Current (0-30 days)	(184 175)	59 297
31-60 days	5 973	58 643
61-90 days	23 894	58 565
91-120 days	-	58 565
+120 days	3 734 442	3 596 254
	<u>3 580 134</u>	<u>3 831 324</u>
Less: Provision for debt impairment	<u>(3 557 846)</u>	<u>(3 385 557)</u>
	<b>22 288</b>	<b>445 767</b>
<b>Total</b>		
Current (0-30 days)	(233 861)	104 985
31-60 days	88 705	139 327
61-90 days	342 764	134 628
91-120 days	-	135 139
+120 days	10 344 514	9 668 314
	<u>10 542 122</u>	<u>10 182 393</u>
Less: Provision for debt impairment	<u>(10 476 492)</u>	<u>(9 928 860)</u>
	<b>65 630</b>	<b>253 533</b>
<b>Reconciliation of impairment of debtors</b>		
Balance at beginning of the year	(8 718 652)	(7 122 200)
Contributions to provision	<u>(1 757 840)</u>	<u>(1 596 452)</u>
	<b>(10 476 492)</b>	<b>(8 718 652)</b>

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

**2012**  
**R '1**

**2011**  
**R '1**

**7 Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	15	15
Bank balances	9 398 476	2 946 036
	<u>9 398 491</u>	<u>2 946 051</u>

The Municipality has the following bank accounts:

<u>Account number / description</u>	<b>Bank statement balances</b>			<b>Cash book balances</b>		
	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2010</b>	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
First National Bank Type : Current Account No 62152951614 Bank statement balance as at 30 June 2012	6 011 933	154 038	28 884 764	5 999 972	(168 113)	28 998 353
Standard Bank Type : Current Account No 80847978	3 425 752	712 854	7 350 245	3 425 752	3 138 832	122 244
Other	-	-	-	(27 548)	(24 683)	14 981 364
<b>Total</b>	<u><b>9 437 685</b></u>	<u><b>866 892</b></u>	<u><b>36 235 009</b></u>	<u><b>9 398 176</b></u>	<u><b>2 946 036</b></u>	<u><b>44 101 961</b></u>

**8 Investment property**

2012			2011		
Cost / Valuation	Acc Dep & Acc Impairment	Carrying Value	Cost / Valuation	Acc Dep & Acc Impairment	Carrying Value
60 594 000	-	60 594 000	59 386 500	-	59 386 500

**Reconciliation of investment property - 2012**

	<b>Opening balance</b>	<b>Fair value adjustments</b>	<b>Total</b>
Investment property	59 386 500	1 207 500	60 594 000

**Reconciliation of investment property - 2011**

	<b>Opening balance</b>	<b>Fair value adjustments</b>	<b>Total</b>
Investment property	59 386 500	-	59 386 500

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

NYANDENI LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 June 2012

9 PROPERTY, PLANT AND EQUIPMENT  
At 30 June 2012

9.1 Reconciliation of Carrying Value

Description	Land and buildings	Infrastructure	Community assets	Capitalised leased assets - Office Equipment	Other assets	Total
<b>Carrying values at 1 July 2011</b>		<b>R '1</b> <b>209 672 836</b>	<b>R '1</b> <b>14 357 481</b>	<b>R '1</b> <b>1 003 343</b>	<b>R '1</b> <b>10 746 273</b>	<b>R '1</b> <b>235 779 933</b>
Cost		237 156 750	15 289 372	1 003 343	12 520 617	265 970 082
Correction of error		-	-	-	-	-
Revaluation		-	-	-	-	-
Accumulated depreciation:		(27 483 914)	(931 891)	-	(1 774 344)	(30 190 149)
- Cost		(27 483 914)	(931 891)	-	(1 774 344)	(30 190 149)
- Correction of error		-	-	-	-	-
- Revaluation		-	-	-	-	-
Acquisitions		155 770 971	(852 172)	205 281	37 447 329	192 571 408
Capital under construction		-	-	-	-	-
Increases/decreases in revaluation		-	-	-	-	-
Depreciation:		(165 938 064)	(4 121 985)	-	(18 329 827)	(188 389 876)
- based on cost		-	-	-	(18 329 827)	(18 329 827)
- based on revaluation		(165 938 064)	(4 121 985)	-	-	(170 060 049)
Carrying value of disposals:		-	-	-	-	-
Cost/revaluation		-	-	-	-	-
Accumulated depreciation		-	-	-	-	-
Impairment loss		-	-	-	-	-
Cost/revaluation		-	-	-	-	-
Accumulated depreciation		-	-	-	-	-
		-	-	-	-	-
<b>Other movements</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying values at 30 June 2012</b>		<b>199 505 743</b>	<b>9 383 324</b>	<b>1 208 624</b>	<b>29 863 775</b>	<b>239 961 465</b>
Cost		392 927 721	14 437 200	1 208 624	49 967 946	458 541 490
Revaluation		-	-	-	-	-
Accumulated depreciation:		(193 421 978)	(5 053 876)	-	(20 104 171)	(218 580 025)
- Cost		(27 483 914)	(931 891)	-	(20 104 171)	(48 519 976)
- Revaluation		(165 938 064)	(4 121 985)	-	-	(170 060 049)



NYANDENI LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 June 2012

9.2 ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost / Revaluation									Carrying Value
	Opening Balance	Additions / Revaluation	Under Construction	Transfer / Completed	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Infrastructure	237 156 750	155 770 971			392 927 721	27 483 914	165 938 064		193 421 978	199 505 743
	<b>237 156 750</b>	<b>155 770 971</b>	-	-	<b>392 927 721</b>	<b>27 483 914</b>	<b>165 938 064</b>	-	193 421 978	<b>199 505 743</b>
Community assets	15 289 372	-852 172			14 437 200	931 891	4 121 985	-	5 053 876	9 383 324
	<b>15 289 372</b>	<b>-852 172</b>	-	-	<b>14 437 200</b>	<b>931 891</b>	<b>4 121 985</b>	-	5 053 876	<b>9 383 324</b>
Leased assets Office equipment	1 003 343	205 281	-	-	1 208 624	-	-	-	-	1 208 624
Other assets	12 520 617	37 447 329			49 967 946	1 774 344	18 329 827	-	20 104 171	29 863 775
	<b>12 520 617</b>	<b>37 447 329</b>	-	-	<b>49 967 946</b>	<b>1 774 344</b>	<b>18 329 827</b>	-	<b>20 104 171</b>	<b>29 863 775</b>
	<b>265 970 082</b>	<b>192 571 408</b>	-	-	<b>458 541 490</b>	<b>30 190 149</b>	<b>188 389 876</b>	-	<b>218 580 025</b>	<b>239 961 465</b>

NYANDENI LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 June 2012

9.2 ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost / Revaluation									Carrying Value
	Opening Balance	Additions / Revaluation	Under Construction	Transfer / Completed	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Infrastructure assets	210 394 811	26 761 939			237 156 750		27 483 914		27 483 914	209 672 836
	<b>210 394 811</b>	<b>26 761 939</b>	-	-	<b>237 156 750</b>	-	<b>27 483 914</b>	-	27 483 914	<b>209 672 836</b>
Community assets	15 289 372	-	-	-	15 289 372		931 891		931 891	14 357 481
	<b>15 289 372</b>	-	-	-	<b>15 289 372</b>	-	<b>931 891</b>	-	931 891	<b>14 357 481</b>
Leased assets										
Office equipment	526 151	477 192	-	-	1 003 343	-	-	-	-	1 003 343
Other assets	9 070 026	3 662 340		211 749	12 520 617		1 774 344		1 774 344	10 746 273
	<b>9 070 026</b>	<b>3 662 340</b>	-	<b>211 749</b>	<b>12 520 617</b>	-	<b>1 774 344</b>	-	<b>1 774 344</b>	<b>10 746 273</b>
	<b>235 280 360</b>	<b>30 901 471</b>	-	<b>211 749</b>	<b>265 970 082</b>	-	<b>30 190 149</b>	-	<b>30 190 149</b>	<b>235 779 933</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

During the period, the municipality acquired property, plant and equipment with an aggregate cost of R 29 332 407. R29 332 407 was acquired by means of capital grants by the national government.

Work in progress for the year amounts to R 8 672 204 (2011: R 0) which relates to projects not completed at year end. These projects are classified as work in progress for the current year because they are not ready for use.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased asset. Refer to note 10.

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

**10 INTANGIBLE ASSETS**

	<b>2012</b>			<b>2011</b>		
	<b>Cost / Valuation</b>	<b>Accum Amort &amp; Acc Impairment</b>	<b>Carrying Value</b>	<b>Cost / Valuation</b>	<b>Accum Amort &amp; Acc Impairment</b>	<b>Carrying Value</b>
Financial Management System	940 589	-	940 589	805 384	-	805 384

**Reconciliation of intangible assets - 2012**

	<b>Opening balance</b>	<b>Additions</b>	<b>Total</b>
Financial Management System	805 384	135 205	940 589

**Reconciliation of intangible assets - 2011**

	<b>Opening balance</b>	<b>Additions</b>	<b>Total</b>
Financial Management System	780 384	25 000	805 384

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	2012 R '1	2011 R '1
<b>11 Finance lease obligations</b>		
<b>Minimum lease payments due</b>		
- within one year	339 699	276 909
- in second to fifth year inclusive	515 471	615 323
	855 170	892 232
less: future finance charges	(126 119)	(155 715)
<b>Present value of minimum lease payments</b>	<b>729 051</b>	<b>736 517</b>
<b>Present value of minimum lease payments due</b>		
- within one year	277 050	199 225
- in second to fifth year inclusive	452 001	537 292
	<b>729 051</b>	<b>736 517</b>
Non- current liabilities	452 001	537 292
Current liabilities	277 050	199 225
	<b>729 051</b>	<b>736 517</b>

It is municipality policy to lease certain telecommunications and equipment under finance leases.

The average lease term was 5 years and the effective borrowing rate was 9% (2011: 10%)

The municipality 's obligations under finance leases are secured by the lessor's charge over the leased assets.

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	<b>2012</b>	<b>2011</b>
	<b>R '1</b>	<b>R '1</b>
<b>12 TRADE AND OTHER PAYABLES</b>		
Trade creditors	1 240 066	264 691
Leave provision	3 696 567	3 100 872
Accruals	2 042 785	2 278 010
Other creditors	-	(561 432)
	<b>6 979 419</b>	<b>5 082 141</b>

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFA).

No interest is charged for the first 30 days from the date of receipt of the invoice.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

Management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

The fair value of creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

**13 DEPOSITS**

Unknown Deposits	-	295 644
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**14 Unspent conditional grants and receipts**

**Unspent conditional grants and receipts comprises of:**

MIG Grant	-	5 888 918
Electrification grant	2 783 032	
	<b>2 783 032</b>	<b>5 888 918</b>

**Movement during the year**

Balance at the beginning of the year	5 888 918	21 873 769
Additions during the year	45 121 000	102 699 932
Income recognition during the year	(48 226 886)	(118 684 783)
	<b>2 783 032</b>	<b>5 888 918</b>

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

**2012**  
**R '1**

**2011**  
**R '1**

**15 PROVISIONS**

**Reconciliation of provisions - 2012**

	<b>Opening Balance</b>	<b>Movements</b>	<b>Total</b>
Legal obligations	2 200 000	-	2 200 000
Land fill sites	97 274	35 876	133 150
Bonus	-	1 085 760	1 085 760
Other creditors	-	-	-
	<b>2 297 274</b>	<b>1 121 636</b>	<b>3 418 910</b>

**Reconciliation of provisions - 2011**

	<b>Opening Balance</b>	<b>Movements</b>	<b>Total</b>
Legal obligations	707 531	1 492 469	2 200 000
Land fill sites	81822	15 452	97 274
Bonus	-	-	-
Other creditors	-	-	-
	<b>789 353</b>	<b>1 507 921</b>	<b>2 297 274</b>

**16 Income received in advance**

An amount received from customers relating to rates and services of R 91 259 (2011: R 214 715) was raised as income received in advance.

**17 Retentions**

Amounts due abd withheld from contractors for the year R 2 432 376 (2011: R 2 220 710)

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	<b>2012</b>	<b>2011</b>
	<b>R '1</b>	<b>R '1</b>
<b>18 Capital replacement reserve</b>		
Revolving fund	219 796	219 796
Employers leave fund	14 337	14 337
Free basic services	2 474 429	2 474 429
Capital infrastructure	1 116 134	1 116 134
Intergrated development plan	272 331	272 331
TRC	79 599	79 599
Transferred to accumulated surplus	(4 176 626)	-
	<b>-</b>	<b>4 176 626</b>

The capital replacement reserve is made up of the above and the reserves are not cash banked.

**19 Revenue**

Property rates	3 833 751	3 357 862
Service charges	158 526	71 085
Rental income	111 414	118 808
Fines	607 375	330 550
Government grants	160 240 978	118 434 783
	<b>164 952 044</b>	<b>122 313 088</b>

The amount included in revenue arising from exchange of goods or services are as follows:

Service charges	<b>158 526</b>	<b>71 085</b>
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The amount included in revenue arising from non -exchange of goods or services are as follows:

**Taxation revenue**

Property rates	3 833 751	3 357 862
Public contributions and donations	111 414	118 808
Fines	607 375	330 550

**Transfer revenue**

Levies	160 240 978	118 434 783
	<b>164 793 518</b>	<b>122 242 003</b>

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	2012 R '1	2011 R '1
<b>20 PROPERTY RATES</b>		
<b><u>Rates assessed</u></b>		
Residential	681 966	593 555
Commercial	132 269	(257 614)
Municipal	620 816	622 295
Government	309 619	310 545
Roads	265 559	265 559
Schools	1 397 390	1 397 390
Clinics	426 132	426 132
<b>Total assessment rates</b>	<b>3 833 751</b>	<b>3 357 862</b>

Assessment rates are levied on the value of land and improvements, which valuation must be performed every 4 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

The last general valuation came into effect in 2009. The basis was 2c per rand on land and improvements. Rebates are applied according to council's policy.

Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the last day of the month.

**Valuations**

Residential	95 996 350	76 096 800
Commercial	44 890 200	32 896 100
State	30 798 700	33 463 980
Municipal	80 245 200	78 684 750
Church	3 259 000	2 019 000
Roads (Government)	279 535 921	279 535 921
Schools	243 864 106	240 929 445
Clinics	72 733 703	73 471 091
Other	57 197 846	56 358 346
	<b>908 521 026</b>	<b>873 455 433</b>

The new general valuation will be implemented on 01 July 2013.

**21 SERVICE CHARGES**

Refuse removal	158 526	71 085
	<b>158 526</b>	<b>71 085</b>

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

**22 Rental income**

Rental of facilities	94 193	109 519
Other rentals	17 221	9 289
	<b>111 414</b>	<b>118 808</b>

**23 Traffic fines**

Revenue of R 607 375 (2011: R 330 550) is generated through traffic fines



**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

	<b>2012</b> <b>R '1</b>	<b>2011</b> <b>R' 1</b>
<b>24 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	111 925 000	88 681 932
Financial Management Grant	1 450 000	1 200 000
Municipal Systems Improvement Grant	790 000	750 000
Mlengane ECO-Tourism Development Project/ EU Grant	199 092	517 492
Electrification Grant	7 216 968	500 000
MIG Grant	38 659 918	26 785 359
<b>Total government grants and subsidies</b>	<b>160 240 978</b>	<b>118 434 783</b>
<b>NB:</b> there are no transfers(grants) that are made out by the Municipality		
<b>Equitable share</b>		
Although this is an unconditional grant in terms of the constitution, the municipality uses the grant to subsidise the provision of basic services to indigent community services.		
<b>MIG Grant</b>		
Balance unspent at the beginning of the year	5 888 918	21 338 769
Current year receipts	35 121 000	11 318 000
Conditions met - transferred to revenue	(41 009 918)	(26 785 359)
Transferred to MIG Grant		17 508
<b>Conditions not met - transferred to liability</b>	<b>(0)</b>	<b>5 888 918</b>
This grant was used for the upgrading of access roads to rural areas.		
<b>EU Grant</b>		
Balance unspent at the beginning of the year	-	535 000
Current year receipts	199 092	-
Conditions met - transferred to revenue	(199 092)	(517 492)
Transferred to MIG Grant		(17 508)
<b>Conditions not met - transferred to liability</b>	<b>(0)</b>	<b>-</b>
This grant was fully utilised for the development of Mlengane ECO-Tourism Trust		
<b>FMG Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	(1 450 000)	(1 200 000)
<b>Conditions not met - transferred to liability</b>	<b>-</b>	<b>-</b>
This grant was fully expensed in obtaining financial management assistance		
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	789 800	750 000
Conditions met - transferred to revenue	(789 800)	(750 000)
<b>Conditions not met - transferred to liability</b>	<b>-</b>	<b>-</b>
This grant is meant to help with the improvement and upgrading of municipal systems and is only spent on that		
<b>Electrification Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	10 000 000	500 000
Conditions met - transferred to revenue	(7 216 968)	(500 000)
<b>Conditions not met - transferred to liability</b>	<b>2 783 032</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 14).		

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

<b>25</b>	<b>Other Income</b>	<b>2012</b> <b>R'1</b>	<b>2011</b> <b>R'1</b>
	Other	510 923	2 557 606
	Commission	87 251	73 094
	D.L.T.C	1 641 677	703 499
	Building plan approval	4 197	45 211
	Sale of items	261 943	141 101
	Training	95 196	154 901
		<b><u>2 601 187</u></b>	<b><u>3 675 412</u></b>

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	2012 R '1	2011 R '1
<b>26 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and wages	32 535 716	30 303 418
Bonus	2 569 634	1 907 404
Overtime	2 850 774	371 763
Double pay	0	1 714 065
Car Allowance	3 653 161	3 374 968
Housing subsidy / allowances	1 684 391	1 684 762
Contributions to UIF, Medical and Pension Funds	9 513 387	8 148 076
Backpay	202 772	0
Other benefits and allowances	2 255 962	2 833 297
<b>Total employee related costs</b>	<b>55 265 795</b>	<b>50 337 753</b>
<b>Remuneration of the Municipal Manager</b>		
<b>P.B. Mase</b>		
Basic salary	412 436	562 020
Travelling allowance	171 849	216 162
Cellphone allowance	20 622	25 939
Retirement Annuity	48 118	60 525
<b>N. Nomandela</b>		
Acting allowance	78 311	
	<b>731 336</b>	<b>864 646</b>
P.B. Mase was municipal manager till 31st March 2012, N Nomandela was appointed from 31st March to current		
<b>Remuneration of the Planning and Development Manager</b>		
<b>G.M. Cekwana</b>		
Basic Salary	467 428	448 983
Travelling allowance	194 759	178 729
Provident fund	38 952	35 746
Medical Aid (Employer portion)	38 952	35 746
Cellphone Allowance	38 952	35 746
	<b>779 043</b>	<b>734 950</b>
<b>Remuneration of the Corporate Services</b>		
<b>S.V. Poswa</b>		
Basic Salary	467 428	448 983
Travelling allowance	70 113	65 171
Provident fund	46 742	42 066
Medical Aid (Employer portion)	194 759	178 730
	<b>779 042</b>	<b>734 950</b>
<b>Remuneration of the Technical Services Manager</b>		
<b>Q. Madikida</b>		
Basic Salary	467 428	448 983
Travelling allowance	194 759	178 729
Provident fund	38 952	35 746
Medical Aid (Employer portion)	38 952	35 746
Cellphone Allowance	38 952	35 746
	<b>779 043</b>	<b>734 950</b>

**Remuneration of the Chief Finance Officer**

Annual remuneration	598 871	613 794
Car allowance	89 019	98 800
Contribution to UIF and other payments	133 243	30 340
	<b>821 133</b>	<b>742 934</b>

**Remuneration of the Community Services**

Annual remuneration	620 430	608 395
Car allowance	129 733	134 551
Contribution to UIF and other payments	113 439	0
	<b>863 602</b>	<b>742 947</b>

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	2012 R '1	2011 R '1
<b>26 EMPLOYEE RELATED COSTS (CONTINUED)</b>		
<b>Remuneration of the Community Services</b>		
<b>N. Nomandela</b>		
Basic Salary	506 380	477 711
Travelling allowance	194 759	183 737
Medical Aid (Employer portion)	38 952	36 747
Cellphone Allowance	38 952	36 747
<b>J. Sikhuni</b>		
Acting allowance	24 723	
	<b>803 766</b>	<b>734 942</b>
N. Nomandela was Community services manager till 31st March 2012. J. Sikhuni was appointed from 1st April 2012 to current.		
<b>Remuneration of the Chief Finance Officer</b>		
<b>M.A. Mandla</b>		
Basic Salary	179 776	440 961
Travelling allowance	74 658	169 038
Provident fund	22 722	51 447
Medical Aid (Employer portion)	16 230	36 748
Cellphone Allowance	16 230	36 748
<b>T.L. Mketsu</b>		
Acting allowance	32 964	0
	<b>342 580</b>	<b>734 942</b>
M.A. Mandla was CFO till 31st December 2011. T.L. Mketsu was appointed from 1st January 2012 to 31st March 2012. B. Benxa was appointed from 1st June to current.		
<b>Remuneration of the Internal Audit Manager</b>		
<b>D. Sogoni</b>		
Basic Salary	389 523	448 983
Travelling allowance	162 299	178 729
Provident fund	32 460	35 746
Medical Aid (Employer portion)	32 460	35 746
Cellphone Allowance	32 460	35 746
	<b>649 202</b>	<b>734 950</b>
<b>Remuneration of the Internal Audit Manager</b>		
<b>G.M. Zide</b>		
Basic Salary	467 419	448 983
Travelling allowance	194 759	178 729
Provident fund	38 952	35 746
Medical Aid (Employer portion)	38 952	35 746
Cellphone Allowance	38 952	35 746
	<b>779 034</b>	<b>734 950</b>

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	<b>2012</b>	<b>2011</b>
	<b>R '1</b>	<b>R '1</b>
<b>27 REMUNERATION OF COUNCILLORS</b>		
Mayor's allowance	611 896	605 295
Speaker's allowance	357 667	497 736
Chief Whip	54 630	208 459
Full time executive committee members	917 843	863 499
Part time executive committee members	1 766 849	2 360 729
Councillor's allowance	8 624 263	6 725 393
	<b>12 333 148</b>	<b>11 261 111</b>

**In-kind benefits**

The Mayor, Chief Whip and two (2) Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

Councillor's salaries, allowances and benefits are within prescribed upper limits.

**28 FINANCE CHARGES**

Finance leases	27 712	91 163
	<b>27 712</b>	<b>91 163</b>

**29 BULK PURCHASES**

Electricity	6 428 855	-
	<b>6 428 855</b>	<b>-</b>

This purchase is a result of a grant from DME for the electrification program.

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2012**

<b>30</b>	<b>GENERAL EXPENDITURE</b>	<b>2012 R'1</b>	<b>2011 R'1</b>
	ACCOUNTING & AUDIT FEES	3 182 742	3 918 101
	ADMINISTRATION FEES	2 406 111	1 368 089
	ADVERTISING	403 448	224 144
	AMENITIES & COMMUNITY FACILITIES	231 917	951 984
	BANK CHARGES	285 732	176 778
	BURSARIES - PERSONNEL	-	55 000
	CLEANING	230 334	208 026
	COMMUNICATIONS	397 741	293 389
	COMPUTER EXPENSES	10 000	-
	CONFERENCES AND MEETINGS	5 771 056	2 331 232
	CONSULTING FEES	336 321	30 166
	CORPORATE EXPENSES	489 542	334 986
	CRIME PREVENTION	126 505	109 720
	DISASTER MANAGEMENT	33 350	129 286
	DOUBTFUL DEBTS	1 757 839	2 850 817
	ELECTORAL EXPENSES	172 740	20 273
	ELECTRICITY PURCHASES	522 156	199 257
	EMPLOYEE ASSISTANCE PROGRAMME	687 012	229 924
	FINANCIAL MANAGEMENT GRANT	1 761 029	180 679
	VAT DISALLOWED	-	1 545 981
	FUEL AND OIL	1 874 532	1 225 356
	IDP	555 582	707 307
	INSURANCE	182 956	380 058
	LED PROJECTS	1 439 976	461 976
	LEGAL EXPENSES	940 506	686 562
	LIBRARY SERVICES	49 212	20 665
	LICENSING OF VEHICLES	923 548	209 234
	MAYOR'S DISCRETIONAL FUND	724 948	247 507
	MEMBERSHIP FEES	966 672	9 486
	MLENGANE DEVELOPMENT LAND	490 331	689 263
	MUNICIPAL PERFORMANCE MANAGEMENT SYSTEM	32 980	5 053
	MUNICIPAL SYSTEM IMPROVEMENT GRANT	297 281	176 795
	OTHER EXPENSES	1 191 885	865 878
	PMU ADMINISTRATION COSTS	887 318	597 844
	VAT RECEIVABLE	1 183 858	2 427 792
	PRINTING & STATIONERY	564 411	483 996
	PROVISION FOR LITIGATION	-	2 189 585
	PUBLIC PARTICIPATION	283 263	796 589
	PROVISION FOR BONUS	1 085 760	-
	REVIEW OF POLICIES	10 500	123 939
	SALE OF GOODS	-1 491	539 887
	SECURITY COSTS	333 320	71 475
	SPECIAL PROGRAMS UNIT	624 433	868 113
	SPORTS & RECREATION	204 913	58 743
	SUBSCRIPTION AND PUBLICATION	484 420	209 446
	SUBSIDY FOR PARAFFIN	492 526	2 065 345
	SUNDRY EXPENSES	-	29 760
	SUPPORT TO TRADITIONAL INSTITUTIONS	203 675	66 650
	TELEPHONE	2 614 166	1 227 011
	TOURISM	138 543	329 402
	TOWN PLANNING	436 415	478 582
	TRAINING	113 585	274 094
	TRAVEL AND SUBSISTENCE	419 222	961 840
	UNIFORM & OVERALLS	379 749	262 090
	EQUIPMENT PURCHASES	437 230	-
	VALUATION COSTS	-	44 595
	VEHICLE HIRE	834 717	216 939
	WASTE MANAGEMENT	574 248	337 527
	WEBSITE MAINTENANCE	73 392	72 779
	CAPEX	3 244 810	

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44 098 968

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35 576 995

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**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	2012 R '1	2011 R '1
<b>31 Correction of error</b>		
<b>Statement of financial position</b>		
Property, plant and equipment	-	114 886
Investments	-	124
Consumer debtors	-	-2 420
VAT	-	-1 517 845
Other receivables	-	-1 213 000
Cash and cash equivalents	-	-12 063 799
Trade payables	-	679 254
Opening Accumulated Surplus or Deficit	-	14 002 800
	<u>-</u>	<u>-</u>
<b>Statement of financial performance</b>		
Service charges	-	-181
Rental income	-	-5 324
Interest received	-	-124
Personnel costs	-	-78 316
Repairs and maintenance	-	-3 450
General expenses	-	-1 095 371
	<u>-</u>	<u>(1 182 766)</u>

**32 Retirement benefits**

**Defined contribution plan**

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the South African Municipal Workers Union (SAMWU) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

Contributions to the South African Municipal Workers Union (SAMWU) and made as follows:

- There are 170 municipal staff are contributions
- The staff member contributes 7,5% of basic salary
- The municipality contributes 18% of basic salary.

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	<b>2012</b>	<b>2011</b>
	<b>R '1</b>	<b>R '1</b>
<b>33 Reconciling non cash items and other</b>		
Surplus/(deficit) for the year	24 900 679	(1 428 662)
Adjustment for:		
Depreciation	27 611 268	30 190 149
(Loss) gain on sale of assets and liabilities		63 498
Investment income	(2 551 653)	-
Loss on disposal of assets	-	56 749
Prior year adjustments	(5 776 603)	-
Movements in provisions		2 629 552
Increase in impairment of debtors		2 251 256
Fair value gains	-	(189 196)
Interest paid	27 712	-
<b>Operating surplus/(deficit) before working capital changes:</b>	<b>44 211 403</b>	<b>33 573 346</b>
Increase in other current assets	-	3 244 141
Decrease in consumer debtors	187 903	(158 670)
Increase in creditors	2 811 482	1 581 081
(Increase) / Decrease in VAT	(8 960 081)	-
Increase / (Decrease) in unspent conditional grants and receipts	(3 105 886)	2 684 935
Trade and other payables	-	(704 155)
<b>Cash generated by / (utilised in) operations</b>	<b>35 144 822</b>	<b>40 220 678</b>

**34 Risk management**

**Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party

Trade receivables comprise a widespread service beneficiaries base within Municipal area. Management evaluates credit risk relating service beneficiaries on an ongoing basis. Each service beneficiary is independently rated, these ratings are used to access risk control, the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality. The utilisation of credit limits is regularly monitored. Sales to service beneficiaries are settled in cash.

**Liquidity risk**

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. In terms of its borrowings requirements, the entity ensures that adequate funds are available to meet its expected and unexpected financial commitments.

The entity maintains a reasonable balance between the period over which assets generate funds and the period over which the respective assets are funded in order to mitigate the effect of long-term liquidity risk.

The following table provides detail of the entity's remaining contractual maturity for its financial liabilities.

The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay.

The figures below include both estimated interest and principal cash flows of the instruments. Estimated interest of floating interest rate financial liabilities is calculated using the applicable interest rates at the end of the financial year end.

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	2012 R '1	2011 R '1
<b>34 Risk MANAGEMENT (CONTINUED)</b>		
<b>Financial assets exposed to credit risk at year end were as follows:</b>		
<b>Financial instrument</b>		
First National Bank	6 011 933	154 038
Standard Bank	3 425 752	712 854
Investment accounts	51 055 503	51 382 172
Trade and other receivables	2 648 559	2 024 352

**Risk Disclosure**

**Market Risk**

The entity's activities expose it primarily to the risk of fluctuation in interest rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**35 Auditors's remuneration**

Audit Fees	2 252 547	1 789 468
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**36 Capital commitments**

**Authorised capital expenditure**

**Commitments in respect of capital expenditure**

> *Property, plant and equipment*

14 385 204	9 878 141
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This committed expenditure relates to infrastructure and will be financed by government grants.

**37 Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**38 Events after the reporting date**

Management is not aware of any material event that has occurred between the year end and sign off date.

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

**2012**  
**R '1**

**2011**  
**R '1**

**39 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	-	1 379 532
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	-	1 379 532

**40 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	132 227
Fruitless and wasteful expenditure current year	-	697 531
Condoned or written off by Council	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting condonement	-	829 758

Fruitless and wasteful expenditure of R was incurred during the year. R relates to the settlement of a litigation case against Mazuke construction in which the municipality was sued by the company who was appointed for construction of a surface road. The balance of R was also in settlement of a litigation case. the municipality was sued by Iliso Consulting for professional fees outstanding on the construction of the Sompá -Iwendlaba Access road. The opening balance of R pertains to a cancellation of a reservation in a prior period.

Incident	Disciplinary steps / criminal proceedings

**41 Irregular expenditure**

Opening balance	663 568	663 568
Unauthorised expenditure current year	4 152 783	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	4 816 351	663 568

The amount of R 663 568 pertains to irregular expenditure in a prior period.  
There was no irregular expenditure incurred in the current year.

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	2012	2011
	R'1	R'1
<b>42 Contingent assets and liabilities</b>		
<b>Known litigations against the municipality at Statement of Financial Position date:</b>		
Zweledinga Jadiso	800 000	200 000
Tamsanqa Livingstone Case 1	18 000	-
Kholekile Thwantwa	-	<b>202 000</b>
HHO Africa	-	<b>242 989</b>
Tamsanqa Livingstone Case 2	10 500	-
	<b>828 500</b>	<b>644 989</b>

**The following is a list of possible outcomes:**

**ZWELEDINGA JADISO vs NLM @ Mr CEKWANA CASE no 2041/2009**

The municipality is being sued for a sum of R 200 000 by the abovementioned gentleman who claims that he had entered into an agreement with the municipality to lease to the municipality a saw machine at a rate of R50 a day. The municipality is defending the matter. We have since responded through filing a plea with the high court. After we have filed the plea, the plaintiff has failed to take any steps to proceed with the matter. This matter exists from the prior year and remains in the current year. The contingent liability is R 200 000

**TAMSANQA LIVINGSTONE MZIMVUBU t/a ZAMA-ZAMA vs NLM CASED no 54/12**

The plaintiff is suing the municipality for a sum of R 18 000 which is allegedly unpaid monies that the municipality owes when it had hired his bus to go to Alice. The municipality is defending the matter as it disputes that the buses were hired by it.

**TAMSANQA LIVINGSTONE MZIMVUBU t/a ZAMA-ZAMA vs NLM CASED no 54/12**

The plaintiff is suing the municipality for a sum of R 10 500 which is allegedly unpaid monies that the municipality owes when it had hired his bus to go to Rotary Stadium. The municipality is defending the matter as it disputes that the buses were hired by it.

**THABILE TRADING 125 JV BHS BUILDING CONTRACTS vs NLM**

The municipality is being sued for a sum of R 2 550 000 by the abovementioned contractor. The contractor was appointed to construct a 2km gravel access road in Ngqeleni. Due to non performance, the municipality terminated the contract in March 2012. The municipality is defending the matter.

**43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**PAYE, UIF and SDL**

Opening balance	-	-
Current year subscription / fee	8 580 097	8 598 174
Amount paid - current year	(8 580 097)	(8 598 174)
Amount paid - previous years	-	-
	<b>-</b>	<b>-</b>

**Pension and Medical Aid Deductions**

Opening balance	-	-
Current year subscription / fee	6 847 639	6 891 795
Amount paid - current year	(6 847 639)	(6 891 795)
Amount paid - previous years	-	-
	<b>-</b>	<b>-</b>

**NYANDENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2012

	2012	2011
	R'1	R'1
<b>43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)</b>		
<b>Arrears Rates and Services Owed by Councillors</b>		
	High Outstanding amount	
Councillor M.S. Qaqa	1 546	-
Councillor M. Dambuza	2 971	-
Councillor Mahlunu	473	-
	<b>4 990</b>	<b>-</b>
<b>44 Municipal Entities</b>		
There were no municipal entities under sole or shared control of the municipality for the	-	-
<b>45 In-kind donations and assistance</b>		
Integrated National Electrification Programme ( Eskom Grant)	-	18 097 000
The municipality did not receive any donations or assistance.		
<b>46 COMPARISON WITH THE BUDGET</b>		
The comparison of the Municipality's actual financial performance with that budgeted for is set out in Note 47		

NYANDENI LOCAL MUNICIPALITY  
FOR THE YEAR ENDED  
30 JUNE 2012

46 Actual versus budget (Revenue and expenditure)

Actual 2011	Description	Actual 2012	Approved Budget 2012	Difference	Management reasons
	<b>Revenue</b>				
3 357 862	Taxes	3 833 751	5 300 000	1 466 249	Improved collections on fines, summons, etc Improved demand on sale transaction & other revenue sources Increase in demand from customers for these services
330 550	Fees, fines, penalties & licences	607 375	300 000	(307 375)	
2 469 479	Revenue from exchange transactions	2 821 593	1 015 000	(1 806 593)	
118 434 783	Transfers from other governments	160 240 978	147 268 000	(12 972 978)	
4 838 189	Other operating	2 792 583	1 561 000	(1 231 583)	
<b>129 430 863</b>	<b>Total revenue</b>	<b>170 296 280</b>	<b>155 444 000</b>	<b>(14 852 280)</b>	
	<b>Expenses</b>				
(61 598 864)	Personnel	(67 598 943)	(71 497 950)	(3 899 006)	Some posts remain vacant in the year
(38 669 906)	Administrative	(46 517 899)	(44 353 600)	2 164 299	Not budgeted for, due to first year of full GRAP com
(30 190 149)	Depreciation and amortisation	(27 611 268)	-	27 611 268	
-	Capital expenditure	(4 722 795)	(39 342 450)	(34 619 655)	Some projects were carried over from prior year
(309 443)	Miscellaneous	(124 484)	-	124 484	Decrease due to prompt payment to suppliers, and no interest being charged by SARS
(91 163)	Finance costs	(27 712)	(250 000)	(222 288)	
<b>(130 859 525)</b>	<b>Total expenditure</b>	<b>(146 603 101)</b>	<b>(155 444 000)</b>	<b>(8 840 899)</b>	
<b>-1 428 662</b>	<b>Surplus/(Deficit) for the year</b>	<b>23 693 179</b>	<b>0</b>	<b>(23 693 179)</b>	
	Attributable to: Net asset holder of the controlling entity	-	0	0	
	Minority interest	-	0	0	